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BI-METALLIC MONEY.

*THE NECESSITY AND FUNCTION
OF
SILVER IN THE CURRENCY.*

By HENRY CERNUSCHI.

TRANSLATION REVISED FOR THE BANKER'S MAGAZINE.

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BI-METALLIC MONEY.

THE NECESSITY AND THE FUNCTION OF SILVER IN THE CURRENCY.

BY HENRY CERNUSCHI.

*Translated from the French.**

The word bi-metallic, I use to describe that monetary system which is founded upon the two metals, gold and silver. My object in using this word is to get rid of the term "standard," which has been with so much harm introduced into monetary discussions, and which is chiefly used by those who tried, a few years ago, to banish gold, and now cry out against silver. What is the real meaning of the word standard? The Dictionary of the Academy tells us: It is "a model of measures, kept by the magistrate, with which the measures of the merchant must agree." France has a model of a mètre of a well-known length. It is deposited in the Archives of the Government. But there are not two such models of different lengths. It is absurd to say that there could be two such standard mètres. Yet the mono-metallists amuse themselves by charging upon us, the bi-metallists, this very absurdity; they say we are for two standards. This is a very ingenious way of making us and our theory pass for absurd. The introduction of the word *standard* into monetary discussions, gives no help to the understanding of the pupil; and, it only proves that there is a confusion of ideas in the head of the master. The truth is, that neither gold nor silver models or standards are kept by the magistrate. Gold and silver are commodities, whose value chiefly rests in the fact that they effectively fulfill the function of money. They are commodities which we receive in exchange for other commodities. What we ought to ask is the simple question whether it is better for us to have, as in France we have always had heretofore, the monetary use of two metals, or whether we should be content with one metal? This is the economic question. To solve it the word standard is of no use at all. It expresses neither truth nor falsehood. It expresses nothing whatever. Hence, I hope the words bi-metallic and mono-metallic, by which I distinguish the two opposing schools of monetary disputants, will be accepted as useful.

* Few essays on the silver question have produced so profound an impression as this pamphlet of M. Cernuschi. Since we reviewed it in the September number of the BANKERS' MAGAZINE, the public interest in the subject has increased so much that we have revised and corrected for our readers, the English translation which was full of errors. Of course we shall not be understood as accepting all M. Cernuschi's opinions. The substance of the essay first appeared in the French newspaper the *Sécle*, a year ago, in November and December, 1875. Next to M. Wolowski, M. Cernuschi has long been considered as the chief champion in France of the claims and the necessity of a silver currency.—[ED. B. M.]

I. THE MONETARY QUESTION IN GERMANY.

When the political system of a nation is changed, its monetary system cannot fail to undergo more or less of change also. At the accession of Victor Emmanuel, as King of Italy, the old coins of Lombardy, Tuscany, Rome and Naples were demonetized. At the accession of William of Prussia, as Emperor of Germany, it was determined to demonetize the coinage systems of the Northern and Southern States. In Italy the mint now issues but one description of coin, the lira, bearing the Savoy cross. In Germany the mint issues no coins but marks bearing the imperial eagle. But it is to be observed that, while Italy, in establishing monetary unity, adopted the bi-metallic system, which recognizes silver as a legal tender equally with gold, Germany, when she began to unify her currency, attempted to demonetize silver.

This bi-metallic programme was carried into effect in Italy. Can the mono-metallic programme be carried out by Germany? The Imperial Government has pursued its task with vigor during the last four years. First, it has issued 1,200 millions of gold marks in coins of ten and twenty marks each; secondly, it has made considerable progress in providing its new subsidiary coinage which consists of silver, nickel, and copper, and is authorized at the ratio of twelve and one-half marks per head of the population, to replace the discarded small coins which are called in to be melted down; thirdly, it has made uncurrent the Austrian, Dutch, and French money which used to circulate extensively in Germany; fourthly, it has withdrawn from circulation nearly all the florins and other silver coins of the Southern States and of the Hanseatic cities. All these changes being complete, one single operation would remain to be added, namely, the withdrawal of the thaler, which is the most important element of the old silver currency. Now the aggregate of thalers to be withdrawn amounts to 200 millions, or \$148,000,000, and the warmest promoters of the mono-metallic theory must at once see how difficult is the work of demonetizing so great a mass of metal. Where can all this silver be disposed of? What can be done with it?

Certainly England and the United States will be unable to absorb the silver yielded by the German thalers. France, Italy, Belgium, Switzerland, have united to stop the Germans from coming to their mints to have their thalers coined into five-franc pieces. To this end, they have, with common consent, suspended their former free coinage of silver. Austria and Russia are in a chronic subjection to government paper money; they cannot entertain the project of buying the silver of Germany. There remain China and India. In these countries, gold is little used, as their pay-

ments are made in silver. But they have neither large credits on Germany nor on the other countries of Europe, which are therefore not in a position to send thither large sums of silver. We should have to imagine a great battle lost by Germany and won by the Chinese, so that the Germans should have to pay to China a heavy indemnity, before the shipment of this silver from Berlin to Peking would become possible. But if the outflow of the demonetized silver is so difficult, the purchase of the gold to replace it is no less difficult. London, the chief market for the precious metals, can only furnish Australian and Californian gold according to the supplies received. If the permanent stock were attacked, if the gold which the English themselves need were disturbed, the result would be a fearful panic in the British market, and this would immediately react upon all Europe in wide-spread ruin and disaster.

Need we speak of the prodigious losses which Germany would call down upon herself, should she persist in provoking this disastrous crisis, by forcing her silver upon the market and demanding heavy sums of gold. The silver would be more and more depreciated. The gold would rise as fast as the silver fell. It would be by millions that the Imperial treasury would have to count its losses. These difficulties were foreseen by the Ministry of the Empire. Hence, when the decree was made, that from January first, 1876, all payments should be reckoned in marks and not in florins or thalers, they added a restrictive clause, to maintain in circulation the thalers, which were to be counted as gold, and to be each held as equivalent to three marks. From this we see that the Imperial Government desires to gain time, and hopes to carry on the work of demonetization slowly. But this slow process will not be without serious danger, as it must stimulate the exportation of gold. This is evident from several circumstances: First, it is notorious that ever since the process of demonetization began, silver has been constantly falling in price in the foreign markets, while at home the value of a thaler has not fallen, for the simple reason that this coin, being a legal tender under the law just mentioned, passes current at three golden marks. Bankers, therefore, when they have payments to make abroad, are careful not to transmit thalers. They send gold marks, and keep the thalers for payments at home. The German Government buys back the gold from foreign markets, and the bankers go on exporting it. Thus they weave a Penelope's web, but there is no return of Ulysses. Already 200 millions of marks have been sent abroad, the sixth part of all that has been coined. On the whole then, we find that Germany has had to give up the plan of swift demonetization, and whether she will succeed in slow demonetization, is more than doubtful.

Such is the situation; before specifying the deductions which it suggests in regard to the future, it may be well to say something about the gold mark, the new monetary unit of Germany. When the empire decided to exchange the silver currency for a currency of gold, it was obliged at the outset to establish a fixed rate for the exchange. In other words, it had to determine how many units of silver should be equal to one in gold. The tariff was fixed at fifteen and a half to one. This means, of course, that the owner of silver money, who was forced by the law to get rid of it, should have the right, on presenting fifteen and a half weights of silver coin at the treasury, to receive in exchange one weight of gold coin. The Government was right in adjusting this tariff of fifteen and a half, for at that time it corresponded with the market value of the two metals, and with the old tariff established by law in France, Italy, Belgium, and Switzerland, between the gold and silver coinages. The tariff of fifteen and a half being thus adopted by Germany, it was of importance that the value of the gold unit of coin, which was to be created under the name of mark, should be such that the exchange of the old money for the new should not give rise to any long or complex calculation. With this view it was needful that, without departing from the tariff of fifteen and a half, the value of the mark should be contained a certain number of times in the value of the thaler; for the thaler was the most important and the most widely circulated of all the German coins. This is what was done. If we multiply by fifteen and a half, the weight of a mark, we have the exact weight of the third of a thaler. The operation of exchanging thalers for marks could not be more simple. There are no fractions nor any small change to pay back. For every thaler presented the treasury office has to give three marks in gold. The gold mark being thus fixed and the silver thaler continuing, until further orders, in circulation, it is plain that from January 1st, 1876, there will be in Germany, a metallic currency composed of gold and silver marks, the latter containing fifteen and a half times the weight of the former in fine metal. The adjustment will be the same as it is in France, where the silver franc weighs fifteen and a half times as much as the gold franc. It is worthy of remark that the old bi-metallic tariff of fifteen and a half to one, the suppression of which several economists have demanded in France, is going into operation in Germany, where it has never existed before, and where no one demanded its adoption at present. It is true that the bi-metallic system of Germany is not complete. To make it complete, every citizen should be free to offer silver for coinage; whereas, the silver marks admitted into the circulation will be only the old thaler, and nobody will be permitted to manufacture coin with new silver.

Here we come to the central point of the whole discussion. Is it for the interest of Germany, France, and the general market, that the German Legislature shall keep up this prohibition, or is it better for all parties that the prohibition should be withdrawn? It may be argued that Germany has gone so far in the path of the mono-metallic system, that she cannot, without effort, abandon it. This is not so; on the contrary, she has never been so near to the bi-metallic goal. And, in her present position under the thaler stipulation of the law, she is temporarily at the goal even now. If this adoption of the bi-metallic system is to become permanent and complete, it will be needful for the German Government to make several new arrangements. First, the coinage of silver and gold in the public mints should be open to everybody; secondly, the weight of the silver mark should be equal to one-third of the weight of the thaler; thirdly, pieces of four or five silver marks should be coined so as to facilitate the making up of packages of one hundred marks, which cannot be done with the existing coins of three marks—the thalers; fourthly, no more thalers should be coined, and the existing thalers may be hereafter melted down and re-coined into pieces of four or five marks; fifthly, there should be no subsidiary token coinage smaller than two marks; the five mark pieces of overvalued coinage which have begun to be issued, should be hereafter called in.

These are the chief provisions needful to give permanence and stability to the bi-metallic system in Germany. It is easy to see that the practical working of a law to this effect would not be difficult and that many advantages would attend it. One of the chief of these advantages is that the German Government would be freed from its monetary anxieties. They would no longer seek markets, which do not exist, for their discarded silver. They would not seek to buy more gold than can possibly be supplied. They would avoid the losses incurred by selling silver on a falling market and by buying gold on a rising market. They would cease to fear the exportation of gold marks. And finally, satisfied with having in the whole Empire a single monetary unit—the mark—they would leave the German people free to make use of gold or silver money, as was always practiced in the States of the Latin Union up to 1874. The association in which France, Italy, Belgium and Switzerland have combined to resist the monetary movements of Germany would be at once dissolved. The coinage of silver would again become free in those countries. This would be the end of an unprecedented monetary war, which appears to be interminable, and which is equally contrary to scientific principles and to the interests of the States by whom it is carried on. The British market, and with it the Continental markets, would by this means avert the crisis which would be inevitable if

the German Government were to persist in demanding more gold, whether it can be furnished or not. Is there an economist, a banker, or a statesman who will deny the reality and the importance of these advantages?

II. ENGLAND AND THE MONETARY REVOLUTION IN GERMANY.

The gold coin of twenty shillings the pound sterling is the money of the English people. If England had permitted private individuals to coin four-shilling or five-shilling pieces containing each, in fine silver, fifteen times and a half the weight of fine metal contained in four or five shillings of gold, the currency of Great Britain would be bi-metallic, and as perfect as that of France. But this has not been done. Except the token silver coins for small change, which are overvalued in comparison with their weight in pure metal, gold is the only legal tender in England. The new mono-metallic school has taken advantage of this fact to shelter itself behind the English flag, and to call on Europe to prescribe silver money. Without the war of 1870, which placed an immense sum of ready money in the hands of Germany, the advice of the mono-metallists would have had no effect. Victorious Germany, towards the end of 1871, believed that in listening to them, she would secure for herself a great benefit. What a splendid achievement it would be to discard silver and henceforth to use nothing but gold! But since this school sets up the example of England, let us look into the history of the English mono-metallic system.

The bi-metallic French law of 1803 established the silver franc at $15\frac{1}{2}$ times the weight of the gold one. But the bi-metallic American law of 1792 had fixed the silver dollar, at the weight of fifteen times only the weight of the gold dollar. It was therefore found profitable by traders to have their silver coined in America, and their gold in France. They gained the fractional $\frac{1}{2}$ upon the 15, which gave them more than a profit of three per cent. Gold, therefore, flowed into Europe, and silver into America. What was England to do when, in 1816, she decided on resuming her specie payments? Was she to adopt the American 15, or the French $15\frac{1}{2}$? To find a solution of this problem England adopted the course of coining gold alone. This policy appeared the more convenient because there was at that time much gold in the market, whilst the silver, as we have already shown, had been drawn to America. England did not think of laying down a scientific principle, or of founding a mono-metallic gold school. So little was such a scheme in her thoughts that she maintained, and still maintains, silver money among her 150 millions of subjects in India; and she has always resorted to the bi-metallic resources of the European Continent to liquidate her accounts with Asia. We must remember that

before 1871 Europe had a bi-metallic system, imperfect no doubt, but sufficient for the common needs. England made her payments in gold, Germany in silver, and France in both metals. It was owing to this system that the English were always able to fetch silver from, or transmit to, Paris or Hamburg, and that the Germans could obtain gold from Paris or London, or send it there. Europe had thus ample employment for the silver money coming from Asia when Asia had to balance her accounts; and if, on the other hand, Europe had an adverse balance to pay in Asia she found within her own States the silver money of which she had need. How could the payments of trade between Europe and Asia, and especially those of England, be made if, like her, the Continent had become mono-metallic? Where should we find silver for Asia, or how should we be able to dispose of all that is sent from thence if, while gold does not circulate in that part of the world, nothing but gold circulates in Europe?

Europe can only become mono-metallic on condition of rendering the rest of the world so. And to do this there would be two other conditions to fulfill. She would, in the first place, have to persuade all the inhabitants of the globe to get rid of their silver, to throw it into the sea, or to convert it into vessels of household utility; secondly, she would be obliged to share her gold with Asia to save the Asiatics from being without money after they had rid themselves of their silver. The history of all ages, and of that science whose laws human societies obey, though no pen has ever traced them, combine to demonstrate that gold and silver money are both equally good. Mankind has ever made use of both, and ever will, let the unfortunate local and temporary exceptions be what they may. Let us, however, return to the comparison between the movements of England in 1816 and those of Germany at present. Led by special circumstances England in that year decided upon a gold coinage. But would she have done this if her circulating currency, instead of being previously in paper, had been of silver? Paper has no intrinsic value. To get rid of it costs nothing. But it is a different thing to get rid of a precious metal which the owner has been crying down himself. An operation of this sort occasions the waste of millions. Will the mono-metallists who never tire of pointing to the example of England dare to maintain that she would have adopted gold as her sole standard of money if she had been first obliged to demonetise a milliard of silver francs? No. Nothing short of the intoxication of Sedan, followed by the intoxication of Frankfort, could have hurried a nation into such an enterprise.

Have the United States, which, since 1834, have coined but gold dollars, demonetized a single dollar of silver? Never. The proportion of one to fifteen, established in 1792,

having had for its effect to send gold out of the country, Congress adopted a very excessive measure to act in the opposite direction. Instead of adopting the French 15½, which would have been enough, the Americans, to stop the exportation of gold, decided that the weight of silver dollars should no longer be as fifteen but as sixteen to one of gold. This was depreciating silver to an unnecessary extent. Directly the new law was put into execution the silver flowed so steadily to Europe, that one fine day, the Americans discovered they had a mono-metallic currency without expecting it. Though the coinage of silver money was free, there was nothing but gold in circulation. Holland, a country of small extent, listened to the economists, who were then hostile to gold, as they have since become to silver, and contrived in 1850 to demonetize her gold without much injury to any private or public interest. Dealing with small aggregates of metal at a time, that nation easily found a demand among her neighbors for her demonetized gold, and was enabled in exchange to obtain the silver she wanted. But the most incredible blunder in the history of modern finance is that which led forty millions of Herostrati to vote the demonetization, the depreciation, the degradation of their metallic currency, without in the least suspecting the great mischief they were bringing on themselves and all other nations. On the average how much gold is kept in the vaults of the Banks of England, of Scotland, and of Ireland? Thirty-five million pounds sterling at the utmost. This is about the sum which Germany will require to take the place of her discarded silver. Can this gold be at the same time a cash reserve for England, and a monetary circulation for Germany? Clearly not. We are told that California and Australia will supply necessary gold. This is a bad calculation. The annual yield of gold has barely sufficed for the growing monetary needs of the commercial world and for the industrial consumption of the arts, which is constantly augmenting, but it will not suffice to fill the vast monetary gulf opened by the demonetization of silver. Besides it is a well-known fact that the supply of gold is on the wane. When the Government of the Confederated Empire already had in portfolio thirty-five millions sterling in bills of exchange on London, could it venture to present them for payment and leave England without a sovereign? Germany, which unhappily believes her dignity at stake in the realizing of the scheme of gold mono-metalism, wishes to seem moderate. But she cannot avoid drawing gold from London. The City journals do not hide their fears. For some time they have ceased to admire the monetary revolution Germany has tried to accomplish, ostensibly in imitation of England. Of all the different States, the one most directly menaced by the German operation is Great

Britain. It is quite possible that rather than remain without metallic money, England may in our time do what she did not accomplish in 1816. She may authorize private individuals to coin pounds sterling of silver, in pieces of four or five shillings, and call them into circulation concurrently with gold.

III. THE UNIVERSAL TARIFF OF $15\frac{1}{2}$ TO 1.

Since 1803, the silver franc has weighed $15\frac{1}{2}$ francs of gold, and the silver mark now weighs $15\frac{1}{2}$ marks of gold. Let this weight of the silver mark be maintained. Let us have a silver dollar weighing $15\frac{1}{2}$ times the gold dollar, and a silver piece of four shillings weighing $15\frac{1}{2}$ times four gold shillings, that is to say, weighing sixty-two gold shillings. Let us everywhere ordain that holders of gold and silver be free to take these metals to the mint, and have them coined. Let us render it optional to pay in gold or silver specie. Such is the international monetary programme that we defend. If carried out it would have the effect of imparting stability to the relative value of gold and silver, and of bringing down to a minimum the fluctuations of the purchasing power of money. How and why would this double result be accomplished?

The instability in the relative value of the two metals arises from four causes which are intrinsic to the metals themselves: first, from the increased production of gold; secondly, from its diminished production; thirdly, from the increased production of silver; and fourthly, from its diminished production. The abundant metal is the least demanded. Its tendency is to be depreciated, whilst the scarcer metal becomes dearer. But it is evident that if to increased production we can contrive to oppose increased demand, and to decreased production decreased demand, we shall maintain the equilibrium, and things will remain unchanged. This is precisely what we propose to do. For the demand, which, without the adoption of the tariff of $15\frac{1}{2}$, would be directed to the metal which is scarce, would, if this tariff were everywhere in force, be directed to the metal that is abundant. For if the bi-metallic law permits each and every one to pay his debts at will, in gold or silver, every one must see that the dealers in money will neglect the metal which is hard to find, and will seek for that which is plentiful, to have it coined. Moreover, the scarce metal, if it is not in demand, will not rise in price; and the abundant metal, if an active demand springs up, cannot fall. Both metals will end by being taken at the reciprocal value of one kilogramme of gold to fifteen and a half of silver. Yes; if private individuals are everywhere free to coin gold and silver at the $15\frac{1}{2}$ tariff, the causes which set in operation the law of supply and demand will be reversed. The demand will be no longer

for the scarce metal but for that which is abundant; and, reciprocally, the supply will be stimulated by scarcity instead of by abundance. Under the international regime of $15\frac{1}{2}$, a kilogramme of gold on issuing from the mine will be worth $15\frac{1}{2}$ kilogrammes of silver, for, in no part of the world can they make with it more money than with $15\frac{1}{2}$ kilogrammes of silver. Also on coming from the mine the $15\frac{1}{2}$ kilogrammes of silver will be worth one kilogramme of gold; for in no part of the world could they be coined into a larger sum of money than would be coined from one kilogramme of gold.

This steadiness of the relative value of gold and silver, which appears so strange, can be obtained without infringing on the liberty of the individual, because the legally granted option to pay in gold or silver, does not preclude stipulations being made in contracts, for exclusive payments to be made in either metal. In France people have been always allowed to make such a stipulation. But as no profit was to be gained, nobody thought of availing himself of this liberty. The $15\frac{1}{2}$ tariff would have this further effect: it would constitute and create from the existing aggregates of gold and silver coin a single monetary instrument. Whatever variation the production of one or the other metal might undergo, this new and complex monetary instrument could keep its value steady and secure. We might on this account, perhaps, be allowed to call it an *electrum*, on account of *the singular esteem of which it is worthy*. The two metals are not alloyed as they were in the *electrum* of the ancients. But each part of one metal (gold) is always worth $15\frac{1}{2}$ parts of the other metal (silver). We should, therefore, have a monetary mass, fully as homogeneous as if it were constituted of a single metal. And, at the same time, it would be the greatest mass we could possibly employ, since it would be made up of the aggregate of the two metals which are capable of use as money.

It is well known that the greater the volume of the monetary mass the less violent are the fluctuations in its purchasing power when the monetary circulation has suddenly contracted or expanded. Suppose there were 10,000 tons of gold circulating in the whole world, and silver being everywhere demonetized; and suppose that an additional supply of 1,000 tons were rapidly produced. What would happen? Gold would lose a tenth of its purchasing power. The same quantity of bullion would buy nine-tenths only of what it would have bought before the appearance of the 1,000 tons of new metal. But if the monetary mass is composed first of 10,000 tons of gold, and secondly of 150,000 tons of silver, its volume is twice as great for monetary purposes. Thanks to the universality of the bi-metallic $15\frac{1}{2}$, we should be exactly in the same situation as if either 20,000 tons of gold or else

300,000 tons of silver were circulating. What would be the effect now of the fresh 1,000 tons of gold or of a corresponding quantity of silver? The monetary mass would be increased by a twentieth, and, consequently, the loss in the purchasing power of money would be only one-half as great—one-twentieth instead of one-tenth. When the monetary volume is diminished this calculation must be reversed and the purchasing power of money will rise.

Should it be objected that the bi-metallic mass is exposed to the variations in the production of both metals, instead of to those of one, we would reply that greater regularity is probable in the production of gold and silver, taken together, than in the production of a single metal. To be brief, the employment of a bi-metallic currency is much more conducive to the stability of the purchasing power of money than a mono-metallic one. If bi-metallism did not exist, we should be driven to invent it; and yet so many people are anxious to do away with it. The harder they fight the more we should strive to maintain, to explain, and to spread its application, in order that its beneficent action may be everywhere acknowledged.

Commercial, postal, and telegraphic conventions bind together nations for the advantage of all and each. A bi-metallic monetary convention between the countries of francs, the country of marks, the country of pounds sterling and the country of dollars would procure the following benefits: The two advantages above mentioned: stability of the relative value of gold and silver, and reduction to a minimum of the variations of the purchasing power of money. The advantage of raising the value of silver, the present fall of which proceeds only from the refusal to admit silver bullion at the mint. The advantage of avoiding the enormous losses caused in Germany and in Europe by the demonetization of silver. The advantage of preventing the monetary convulsions from which all branches of trade and commerce will suffer if demonetization goes on. The advantage of securing the possibility to pay and be paid in metallic money, accounts between us and China, India, and other countries of Asia, where gold is not accepted, an advantage which would disappear if Europe ceased to employ silver as money. Finally, there would be the advantage that in France and the United States the resumption of specie payments would be immediate, while in Italy, Austria, and Russia, resumption would be greatly facilitated. If but two of the four great nations which use a metallic currency would sign the conditions of this bi-metallic monetary convention, the success of the 15½ tariff, its diffusion, and its advantages would be assured. But, perhaps, before diplomacy interferes, it may be needful that the monetary revolution of Germany should have said its last word.

IV. SPECIE RESUMPTION IN AMERICA.

We must do President Grant the justice to say that there is no greater enemy than he of paper money, and that nobody desires more than he a return to metallic currency. We have already said (see our pamphlet, *Or et Argent*, page 75) such a return would be very easy in America if Congress would allow the public to get silver dollars struck in the Federal mints, weighing $15\frac{1}{2}$ times as much as the gold dollar, or, in other words, if the United States would return to the bi-metallic regime founded by Hamilton* in 1792, and adopted so successfully by France. There is but one way of getting out of the vicious circle of paper money. It is to procure an ample supply of metal. But it will be objected that gold enough is not to be had, and that if we have to wait till the mines produce it in sufficient quantity, we shall be obliged to wait a very long time before the return to a metallic money is possible.

The objection is just. But why not meet the difficulty by means of silver? America has been since 1873 coining heavy dollars to compete in Asia with the Mexican piastre. She has also coined half-dollars of the precise value of the half of a five franc piece in the hope of finding an outlet for this coin in the States of the Latin Union. She thinks it a good thing that Asia and Europe should use her silver as money. Why does she not begin by setting the example at home and adopt a silver coinage?

It is absolutely false that silver is less noble than gold, or less suited to do the work of money. Some time ago it happened that Holland found silver the preferable kind of money, and she demonetized her gold as inferior. She was unjust towards this metal exactly as Germany now is towards silver. France and the States of the Latin Union have always had reason to be satisfied with the bi-metallic regime of gold and silver. America should adopt the same policy with them, and establish a legal tender coinage composed of the actual gold dollar, and of a silver one weighing $15\frac{1}{2}$ times as much. If throughout the United States every debtor is free to pay according to his choice, in gold or silver coin, the value of gold and that of silver will keep always and everywhere the same proportion of fifteen and a half to one.

*Some influence was used in favor of mono-metallism; but Hamilton, the eminent statesman whom Washington had placed at the head of the finances, adhered resolutely to the bi-metallic policy; "Contrary to the ideas which had previously prevailed, he proposed that no preference should be given to either gold or silver. The principal reason against such a preference was, that attaching the unit to either of the metals would destroy the office of the other as money, reduce it to a mere merchandise, and diminish the quantity of circulating medium, thus diminishing the utility of one of the metals" (*History of the Republic of the United States of America*, as traced in the writings of Alexander Hamilton, Philadelphia, 1868, vol. iv., p. 272). Jefferson, who afterwards became President of the United States, and who was then Secretary of State, expressed the same opinion. Congress voted the bi-metallic law on the basis of fifteen to one, by virtue of which gold and silver dollars were coined, the latter containing of fine metal fifteen times as much as the former.

All the metallic mass of gold and silver that has been, or will be extracted from mines, rivers and mountains, if used as money, would hardly be sufficient to do away with the evil of paper money.

V. SMALL ARGUMENTS.

It is argued that silver money is heavy, and that the market price of silver bullion is falling more and more. From this the deduction is to use nothing as money but gold. The first of these objections is old; the second is new; both have been recently urged by two writers, M. Victor Bonnet, in the *Journal des Economistes*, and M. Paul Leroy Beaulieu, in the *Economiste Français*. The well-merited reputation of these economists imposes upon us the duty of replying to them. We wish, in answering them, to say that if we call these two arguments small, it is because they have reference only to the secondary bearings of the great question of the two metals. We shall begin by discussing the objection founded upon the weight of silver. Suppose we have to pay a debt from one distant place to another. The freight is the same for 100,000 francs in silver weighing 500 kilogrammes as for 100,000 francs in gold weighing 32 kilogrammes and a fraction. The shipowner takes no account of the weight of gold, silver, diamonds, or other like precious commodities. Secondly, let us suppose that we have large payments to make at home. The great city of Hamburg for centuries paid exclusively in marks. The mark was then a certain weight of silver. People then said a mark, as we say an ounce. But the mark piece was never coined. Bars of silver deposited in the Bank of Hamburg necessarily weighed so many marks, and merchants transferred to each other the ownership of marks without ever seeing or transporting them. Nobody, therefore, had reason to complain of excessive weight or inconvenient bulk. Besides this system of clearings and transfers between the customers of banks, there is also the bank-note payable to bearer, which can, in the general circulation, represent the metal deposited in the bank. And a note which represents silver is no heavier than a note which represents gold. Thirdly, suppose we have to deal with retail payments and small change. No doubt the rich man prefers gold. But the artisan and the peasant are not fond of having their money in the small light gold pieces of five francs. They prefer silver coins, which suit them better. The advantages and disadvantages are on both sides balanced. Thus we see that silver money is quite as worthy a medium as gold for large distant payments, for home transactions, and for small retail payments. And even if we consider the practical mechanism of trade, it is best to have a double coinage, a gold and silver money such as France has so long possessed without suffering any damage from it.

We published the preceding reply two years ago. We regret to repeat what has been already said. But what can we do? When the measures of attack do not change, the defence can hardly vary. We will now add a few facts in support of our previous statements. We have before us two publications, one of which is Chaix' *Indicateur des Expéditions par les Chemins de Fer*, and the other the *Livret des Tarifs des Messageries Maritimes*. In page 96 of the *Indicateur* we find "Gold and silver, whether in bars coined or worked, articles plated with gold or silver, mercury, platinum, jewels, laces, precious stones, bank-notes, debentures, securities, bonds, are transported by fast trains, and at the rate per 1,000f. and per kilometer of of. 002,772." Turning to the *Livret des Messageries* we read in page 19:—"The tariff from Marseilles to Shanghai is, for coined gold and silver bars, precious stones, bank-notes, debentures payable to bearer, and other paper securities, one per cent. upon the value."

Let us now proceed, under the watchful eyes of the mono-metallists, to send 100,000 francs from Paris to Shanghai. At the rate of of. 002,772 per kilometer and per 1000f., the transport by rail on a line of 851 kilometers, from Paris to Marseilles, amounts to 236 francs. The maritime transport from Marseilles to Shanghai at one per cent. comes to 1000f., making a total of 1236, or $1\frac{1}{4}$ per cent. of the entire value. Whether we are dealing with gold, silver, or paper money, the sum of 100,000 francs is transported from Paris to the great port of Northern China, for 1,236 francs. The conditions are the same for Japan. Save a very few exceptions, which must soon disappear, gold and silver coin are everywhere transportable at the same price. There are three sorts of transport tariffs; the weight tariff, the bulk tariff, and the value tariff. When things are transported according to weight, neither bulk nor value is taken into account; when they are transported according to bulk, neither weight nor value is considered; when they are taken according to value, the questions of size and weight are not raised. If the sums to be transported are lost, the carrier pays for them. His risk in holding himself answerable for loss is met with a remuneration which is out of all proportion with the weight and volume, that are more or less insignificant, of the sums placed in his charge. This remuneration takes the form of the value tariff, which once paid, the sender owes nothing more. In point of fact he pays nothing for either bulk or weight, which accounts for the transport of silver money being no dearer than of gold or bank-notes. To send 500 kilogrammes of lead from Paris to Shanghai costs 268 francs; to send 100,000 francs of gold, weighing 32 kilogrammes, costs 1,236 francs; to send 500 kilogrammes of silver (worth 100,000 francs) we do not pay, as for the 500 kilogrammes of lead, 268 francs, but 1,236 francs; that is to say, we pay

the same sum as for the transportation of 32 kilogrammes of gold, or 100,000 francs of paper money, which last have scarcely any weight or volume.

Governments, carriers, and consignors all agree as to the equitable principle of these charges. What, then, are we to say of the assertion of M. Victor Bonnet that "gold, as an exchange medium, has become the indispensable auxiliary of railways, electric telegraphs, and modern inventions?" Should we not say, on the contrary, that, owing to steam, silver has acquired for shipments to distant parts a fitness which places it on a par with gold? And that its convenience for large and far-off payments is very much superior to that of ruder facilities for travel. As to the telegraph it is plain that it has nothing to do with the question as to whether monometallism or bi-metallism is the best for monetary purposes. When in 1816, impelled by special circumstances, England, without having to operate any silver demonetization, decided upon coining gold only, the electric telegraph was not even invented.

With, or without electric cables, and whatever may be the inventions of modern science, silver travels round the world as quickly as letters, and at not greater cost than gold. Railway companies and shipowners do not share the prejudices against it of the gold mono-metallists. By means of clearings, cheques, and bank-notes, silver can, equally with gold, change hands in the twinkling of an eye, without moving from the vault of the bank. There are many who like gold; others prefer silver. Neither of them would be pleased if the currency was only of gold or only of silver. Let us have both, let us be bi-metallists. The more bi-metallism spreads, the more permanent in each country will be the mixture of gold and of silver in the circulation, so as to satisfy all parties. "It is the sentiment of progress," says M. V. Bonnet, "which leads nations to the gold standard." The reality, such as it appears to us, is this:—It happened about 1858 that certain French writers, under the leadership of M. de Parieu, then Vice-President of the Council of State, undertook a campaign in favor of gold, which brought forth no palpable fruit before 1871. In that year divers mono-metallists who had lived in Paris before the war—men of ability, but mistaken in this matter—seized the moment in which the new German Empire was to establish monetary uniformity, and dazzled its leaders with the idea of using hereafter as money nothing but gold. They listened to the gilded serpent. To-day its bite is felt; but care is taken to hide the wound. Before long it will show itself.

It remains to us to discuss the other argument: "Silver is being depreciated; we must therefore get rid of it." That silver is being depreciated is certain. The piece of a hundred sous or of a mark melted down is now only worth

ninety-three sous and ninety-three pfennings, showing a loss of seven per cent. But who has been the cause of this progressive fall in silver? Mono-metallists, it is you. You have led Germany, and, as a consequence, the Latin Union, to abandon the coinage of silver. Wheat would be of small value if we did not use it for food. A precious metal loses greatly in price when we cease to coin it into money. It is you mono-metallists who have brought on the depreciation, and you point to this depreciation as a proof of the unworthiness of the metal which you have combined to drive out of use. You resemble the people who, having tied up the legs of a horse, called out for him to be killed because he could not gallop. A man who was passing by undid the noose, and the noble steed ran swiftly on its course. Let Germany and France repeal the prohibition from the coinage of silver, and this noble metal will recover and keep its entire value. Fifteen and a half weights of silver will buy one weight of gold, and financial relief will be speedily given to England, France, and Germany.

The mono-metallic conflict has only just begun, and already there exists no longer a single and unique stock of silver of homogeneous value, as there exists a single and unique stock of gold. There are two stocks, the great and the little. The lesser one is composed of the new uncoined silver, which is no longer sent to the mint, and which has undergone a fall of seven per cent.; the greater stock is the coined silver, in thalers and in francs; and it is this stock which the mono-metallists would melt down, and which has hitherto circulated as a forced currency at seven per cent. higher a value than that of the uncoined metal. If the fall is already seven per cent. on the minor stock, what will it not be when the greater stock comes to be melted down and enters the market as bullion? Why should this fall be urged as a reason for hastening the work of demonetization? Is it not, on the contrary, the sign of coming disasters, to avoid which we should lose no time in coining silver? If we refuse to do this, are we not wasting advantages worth hundreds of millions of marks and of francs? All this mass of demonetized metal will, if the mono-metallists persist, fall to zero. Mono-metallists of France and Germany! will you go forward in the path you have entered? We hope the mistakes of the past can be remedied. We rely upon the force of events, which sometimes hinders men from injuring themselves as much as they desire. We count also upon the great ease with which the Germans can put themselves in the right path. All they have to do is to throw open their mint to all holders of silver bullion and of gold bullion, and permit both metals to be freely and without restriction coined into marks. The whole evil will thus receive a complete remedy.

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